

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 PM-07 INR-10 L-03 NEA-11

NSAE-00 PA-04 RSC-01 PRS-01 SPC-03 USIA-15 TRSE-00

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FM USMISSION NATO

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C O N F I D E N T I A L USNATO 0833

E. O. 11652: GDS 80

TAGS: MCAP NATO

SUBJ: NATO INFRASTRUCTURE - INTERNATIONAL COMPETITIVE BIDDING
(ICB) AND EXCHANGE RATES

REFS: A. STATE 14733, 231742Z JAN 74

B. STATE 176522, 052213S SEP 73

D. STATE 250900, 272144Z DEC 73

D. USNATO 3764, 9 AUG 73

E. USNATO 5241, 31 OCT 73

BEGIN SUMMARY: STATE/TREASURY PROPOSAL CITED IN REF A WAS
CONSIDERED BY INFRASTRUCTURE COMMITTEE ON 12 FEB 74. IN VIEW OF
DEPARTURE FROM LONG ESTABLISHED ICB PRACTICE OF EXPRESSING PRICE
QUOTATIONS IN HOST COUNTRY CURRENCY (OR IN SOME CASES IN
CURRENCY OF BIDDER'S COUNTRY) THERE WERE NO AFFIRMATIVE REACTIONS
TO THE US PROPOSAL. COMMITTEE MEMBERS WILL SEEK POSITIONS OF
THEIR AUTHORITIES ON THIS MATTER FOR FURTHER CONSIDERATION.
END SUMMARY

1. ITEM III OF DECISION DOCUMENT AC/4-DS/926, IN PART PERTAINS
TO THIS MATTER.

QTE. THE COMMITTEE

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(4) TOOK NOTE OF THE PROPOSED RE-WORDINGS OF THE TERM "IDLE
MARKET EXCHANGE RATE/ AS SUGGESTED BY THE CANADIAN, ITALIAN
AND UNITED STATES REPRESENTATIVES;

(5) NOTED THAT IF PRICE QUOTATIONS WERE TO BE EXPRESSED IN THE CURRENCY OF ANY NATO NATION AS PROPOSED BY THE UNITED STATES REPRESENTATIVE, THIS MIGHT COMPLICATE UNDULY THE TASK OF THE EVALUATING AUTHORITIES AND MIGHT GIVE RISE TO CURRENCY SPECULATIONS BY THE BIDDING FIRMS;

(6) NOTED IN THIS CONNECTION, A STATEMENT BY THE INTERNATIONAL STAFF THAT IT MIGHT IN SOME NATIONS EVEN BE ILLEGAL TO EXPRESS CONTRACTS IN ANY OTHER THAN THE HOST COUNTRY'S CURRENCY;

(7) INVITED ALL REPRESENTATIVES TO INVESTIGATE WHETHER BID QUOTATIONS IN THIER COUNTRY COULD BE EXPRESSED IN OTHER THAN THEIR NATIONAL CURRENCY; UNQTE.

2. REGARDING THE TERM "MIDDLE EXCHANGE RATE", THERE IS LITTLE DIFFERENCE BETWEEN THE BASIC IDEAS IN THE CANADIAN, ITALIAN AND U.S. PROPOSALS REFERRED TO IN 1.(4) ABOVE. THERE IS AGREEMENT IN THESE PROPOSALS THAT THE COMMERCIAL (OFFICIAL) RATE IS THE PROPOER RATE TO BE UTILIZED. FURTHER, CONCERNING EXCHANGE RATES, MISSION NOTES THAT NINE COUNTRIES IN NATO RECOGNIZE THE EXCHANGE RATE DATA PUBLISHED BY AGENCE ECONOMIQUE ET FINANCIERE (A FRENCH PUBLICATION) INSOFAR AS MATTERS OF THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT ARE CONCERNED AND AS EVIDENCE BY PUBLICATIONS OF THAT ORGANIZATION (SUCH AS C(73)217, PARIS, 7 NOV 73). THIS WOULD HAVE THE ADVANTAGE OF BEING A PUBLISHED RATE EASILY VERIFIABLE BY AMERICAN BUSINESS INTERESTS.

3. THE COMMITTEE IS CURRENTLY CONSIDERING THE US PROPOSAL CITED IN REF A WITH THREE CHANGES IN THE FOURTH SENTENCE: I.E., "U.S. DOLLAR" TO READ "HOST COUNTRY'S CURRENCY"; IDENTIFICATION OF FINANCIAL CENTERS WITH HOST COUNTRIES; AND PROVIDING EXCHANGE RATE INFORMATION TO "HOST COUNTRY AUTHORITIES" IN LIEU OF "NATO AUTHORITIES." THUS THE FOURTH SENTENCE OF PROPOSAL NOW BEING CONSIDERED READS: QTE. THE APPLICABLE EXCHANGE RATE FOR COMPARISON SHALL BE THE MIDPOINT BETWEEN THE BUYING AND SELLING RATES OF THE CURRENCIES IN QUESTION IN TERMS OF THE HOST COUNTRY'S CURRENCY, IN THE PRINCIPAL FINANCIAL CENTER OF THE HOST COUNTRY
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CONCERNED AT THE OFFICIAL FIXING, IF SUCH EXISTS AND OTHERWISE AT NOON ON THE DAY OF DETERMINATION AS ASCERTAINED BY THE CENTRAL BANK OF THE COUNTRY AND PROVIDED TO THE CONTRACTING AUTHORITIES OF THE HOST COUNTRY CONCERNED. UNQTE. THE LAST SENTENCE OF THE PROPOSAL IS CONCLUDED WITH THE PARENTHETICAL EXPRESSION QTE (GENERALLY REFERRED TO AS THE COMMERCIAL MARKET RATE) UNQTE.

4. OF PARAMOUNT CONCERN TO OUR ALLIES IS THE US PROPOSAL TO HAVE PRICE QUOTATIONS EXPRESSED IN THE CURRENCY OF ANY NATO COUNTRY. THE CURRENT INTERNATIONAL COMPETITIVE BIDDING (ICB) PROCEDURES IN EFFECT SINCE JUN 61 ARE CONTAINED IN AC/4-D/1384(FINAL). ATTENTION IS INVITED TO APPENDIX 3 OF THAT DOCUMENT WHICH ADDRESSES THE SUBJECT QTE INFRASTRUCTURE CONTRACTS - PROTECTION AGAINST

EXCHANGE RISKS UNQTE. IN SUBSTANCE THIS PROVIDES FOR BIDS TO BE IN HOST COUNTRY'S CURRENCY WITH EITHER OF TWO ALTERNATIVES AFFORDED TO CONTRACTORS REGARDING EXCHANGE RATES INVOLVING THE CURRENCY OF THE CONTRACTOR'S COUNTRY OF ORIGIN. FOR SOME CONSIDERABLE TIME, THE INFRASTRUCTURE COMMITTEE HAS BEEN ENDEAVORING TO CONCLUDE REVISED ICB PROCEDURES AND HAS DEVELOPED AC/4-D/2261 (REV) AS REPORTED IN REF D AND ACCEPTED BY REF B. THE FOLLOWING IS QUOTED FROM THESE NEW PROCEDURES (HOPEFULLY TO BE FINALIZED WITHIN A MONTH OR TWO); QTE PRICE QUOTATIONS WILL NORMALLY BE EXPRESSED IN THE CURRENCY OF THE HOST COUNTRY. HOWEVER, WHEN THE HOST COUNTRY DOES NOT SPECIFY THE CURRENCY REQUIRED, FIRMS MAY EXPRESS THEIR BIDS IN THEIR OWN CURRENCY UNQTE.

5. REQUEST US POSITION WITH RESPECT TO ACCEPTANCE (FOR NATO ICB PURPOSES) OF THE RATES AS PUBLISHED BY AGEFI (REF PARA 2 ABOVE). ALSO REQUEST ADVICE AS TO CONTINUED ACCEPTABILITY OF PREVIOUS POSITION CITED IN REF C IN THE EVENT ALLIES CANNOT AGREE TO THE LATEST US PROPOSAL CITED IN REF A, INsofar AS THE CURRENCY TO BE USED IN PRICE QUOTATIONS IS CONCERNED. FURTHER CONVINCING ARGUMENTS WILL BE APPRECIATED FOR SUPPORTING THE US PROPOSAL TO HAVE PRICE QUOTATIONS EXPRESSED IN THE CURRENCY OF ANY NATO COUNTRY. THIS SUBJECT WILL AGAIN BE ON THE INFRASTRUCTURE COMMITTEE'S AGENDA FOR 26 FEB 74. RUMSFELD

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<< END OF DOCUMENT >>

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